

Module 4 – Identifying Risk

Handout 3 – Example Account Risk Assessment

Below is an example risk assessment used to determine level of risk at the account level. This is a continuation of the example provided on Handout 2 –Risk Ranking Criteria. This example depicts how the five factors are used to determine the risk ranking of an account.

As noted on Handout 2, those accounts with a score of 8 or less are considered low risk; a score of 9 to 11 is considered moderate risk; a score of 12 or more is considered high risk.

Caption/Account Description	06/30/XX Account Balance (in millions)	Size and Composition	Transaction Volume	Transaction Complexity	Subjectivity and Estimation	Inherent Risk	Total Score
STATEMENT OF NET ASSETS/BALANCE SHEET							
Assets							
Cash and Cash Equivalents	59.0	3	3	2	2	3	13
Restricted Cash and Cash Equivalents	15.3	3	2	2	2	3	12
Receivables, Net	7.4	3	3	2	2	2	12
Due from State of North Carolina Component Units	0.8	1	1	2	1	1	6
Liabilities							
Accounts payable and accrued liability	11.9	3	3	2	2	2	12
Due to Primary Government	0.2	1	1	1	2	1	6
Unearned Revenue	7.5	3	2	3	3	2	13
Interest Payable	2.2	2	2	1	1	1	7
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS/OPERATING STATEMENT							
Revenues							
Student Tuition and Fees, Net	67.3	3	2	2	1	2	10
Federal Grants and Contracts	7.4	3	2	3	2	3	13
State and Local Grants and Contracts	1.4	2	2	3	2	2	11
Nongovernmental Grants and Contracts	0.9	1	2	3	1	1	8
Expenses							
Salaries and Benefits	163.4	3	3	2	2	2	12
Supplies and Materials	35.6	3	3	1	1	2	10
Services	31.2	3	3	2	1	2	11
Scholarships and Fellowships	10.2	3	2	3	2	2	12

Note: Financial Statement Assertion Risk should be completed for all accounts with an overall Account Risk Assessment as follows:

For Group 1, Moderate and High risk accounts will move forward to Financial Statement Assertion and Process Risk Assessment.

For Group 2, only High risk accounts will move forward to Financial Statement Assertion and Process Risk Assessment.